

Good Start to the Year

Trading Update

Q1 2016	£'m	Like-for-like*	Net M&A**	Exchange	Reported
North America	546	+1%	-	+5%	+6%
Rest of ENA	950	+5%	-2%	+1%	+4%
Total ENA	1,496	+3%	-1%	+2%	+5%
DvM	719	+10%	-	-8%	+2%
Food	88	+2%	-	+5%	+7%
Total	2,303	+5%	-1%	-1%	+4%
Health	786	+10%	-	+1%	+11%
Hygiene	956	+3%	-	-2%	+1%
Home	414	+3%	-	-2%	-
Portfolio (incl Food)	147	+1%	-8%	+4%	-2%
Total	2,303	+5%	-1%	-1%	+4%

Highlights: Q1 (at constant rates)

- On track for full-year targets.
- Europe North America (ENA) – Europe / ANZ strong. US and Russia impacted by the anticipated retailer destocking resulting from the relatively weaker flu season.
- Developing Markets (DvM) – continued strong growth in India and China. Brazil tougher competitive and market environment offset by strong pest. Africa modest growth in tough macro conditions.
- Consumer Health - Strong broad based growth driven by innovation, offset by some retailer destocking. Hygiene – strong in DvM, due to Dettol and Harpic innovation and penetration programmes. Growth in Home driven by Air Wick and Vanish.

Commenting on these results, Rakesh Kapoor, Chief Executive Officer, said:

“We had a good start to the year despite continued challenging market conditions. We are pleased to see growth across both developed and developing markets as we pursue our strategy of focusing on the health and hygiene powerbrands in our key powermarkets, supported by continued investment in innovation. Our consumer health brands have again outperformed. In Hygiene, the performance of the brands was variable. We are on track to achieve our full year net revenue and operating margin targets.*”**

* Like-for-like (“LFL”) growth excludes the impact of changes in exchange rates, acquisitions, disposals and discontinued operations.

** Reflects the impact of the sale of the Medcom Hospital business.

***Full year targets are set out on page 3.



Operating Segment Review

ENA +3% LFL (65% of net revenue)

- In the US, strong performances in Finish and Air Wick. Amopé is on track following the launch of the electronic nail file. Seasonal Health and Hygiene brands were weaker due to anticipated retailer destocking in a relatively weaker flu season.
- Russia had a slow Q1, also driven by anticipated retailer destocking. The outlook for Russia remains uncertain given the current market and currency issues.
- Other ENA markets delivered broad-based growth with notable performances from Germany, ANZ, France and Spain, with strong growth contributed by Scholl innovations, in particular our electronic nail file and GelActiv insoles.

DvM +10% LFL (31% of net revenue)

- India continued to deliver strong growth behind penetration gains in the Dettol franchise and Harpic.
- Good growth in Turkey, Pakistan and China and an improving performance in ASEAN. Africa and parts of Middle East weak due to difficult macro environment.
- Improved LATAM performance, with tougher competitive and market environment in Brazil offset by strong demand in pest due to the impact of the Zika virus.

Food +2% LFL (4% of net revenue)

- Growth driven by international expansion and French's "better for you" innovations.

Category Review

Health +10% LFL (34% of net revenue)

- Broad-based growth continues across our consumer health portfolio. Good performances from Durex, Gaviscon and Strepsils.
- Continued very strong growth in the Scholl franchise behind our latest Velvet Smooth Express Pedi innovation (wet and dry), GelActiv insoles, and the electronic nail file.
- VMS brands were mixed with good growth in Digestive Advantage and Move Free offset by weakness in MegaRed and Airborne.

Hygiene +3% LFL (42% of net revenue)

- Dettol / Lysol demonstrated a strong performance in India, with the launch of Dettol Gold soap and shower gel, but was weak in Africa and the Middle East. Lysol in the US was soft due to the relatively weaker flu season.

- Finish had a good start to the year behind the launch of our new supercharged powerball innovation.
- Harpic delivered a strong performance in India, driven by continued penetration growth, but was variable elsewhere.
- Strong pest growth in Brazil (due to the Zika virus) offset by a slow season in Australia.

Home +3% LFL (18% of net revenue)

- Good growth in Air Wick behind the launch of our new Life Scents premium aerosol and scented oil warmer innovations.
- Vanish driven by strong DvM performance from penetration building programmes and launch of Vanish Gold in a number of markets.

Portfolio Brands +1% LFL (6% of net revenue)

- Solid performance in laundry detergents and fabric softeners, but a challenging category. Food driven by international expansion and French's "better for you" innovations.

Financial Position

There has been no material change to the financial position of the Company since the published 2015 Annual Report and Accounts.

2016 Targets

The Group is on track to achieve its FY 2016 financial targets:

- LFL net revenue growth of +4-5%*
- Moderate margin** expansion, supplemented by part of the remaining Project Supercharge efficiencies.

* At constant rates excluding the net impact of M&A.

**Adjusted to exclude the impact of exceptional items.

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By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements, including many factors outside the Group’s control. Among other risks and uncertainties, the material or principal factors which could cause actual results to differ materially are: the general economic, business, political and social conditions in the key markets in which the Group operates; the ability of the Group to manage regulatory, tax and legal matters, including changes thereto; the reliability of the Group’s technological infrastructure or that of third parties on which the Group relies; interruptions in the Group’s supply chain and disruptions to its production facilities; the reputation of the Group’s global brands; and the recruitment and retention of key management.

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